



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 2, 2003

### **H.R. 1115** **Class Action Fairness Act of 2003**

*As ordered reported by the House Committee on the Judiciary on May 21, 2003*

H.R. 1115 would expand the types of class-action lawsuits that would be initially heard in federal district courts. CBO estimates that implementing the bill would cost the federal district courts about \$6 million a year, subject to appropriation of the necessary funds. The bill would not affect direct spending or revenues. H.R. 1115 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Under H.R. 1115, most class-action lawsuits would be heard in a federal district court rather than a state court. Therefore, CBO estimates that the bill would impose additional costs on the federal district court system. While the number of cases that would be filed in federal court under this bill is uncertain, CBO expects that a few hundred additional cases would be heard in federal court each year. According to the Administrative Office of the United States Courts, class-action lawsuits tried in federal court cost the government, on average, about \$21,000. That figure includes salaries and benefits for clerks, rent, utilities, and associated overhead expenses, but excludes the costs of the salaries and benefits of judges. CBO estimates that implementing H.R. 1115 would cost about \$6 million annually.

CBO also estimates that enacting this bill could increase the need for additional district judges. Because the salaries and benefits of district court judges are considered mandatory, adding more judges would increase direct spending. However, H.R. 1115 would not—by itself—affect direct spending because separate legislation would be necessary to authorize an increase in the number of district judges. In any event, CBO expects that enacting the bill would not require a significant increase in the number of federal judges, so that any potential increase in direct spending from subsequent legislation would probably be less than \$500,000 a year.

On May 1, 2003, CBO transmitted a cost estimate for S. 274, the Class Action Fairness Act, as ordered reported by Senate Committee on the Judiciary on April 11, 2003. Our estimate of the federal costs of implementing S. 274 or H.R. 1115 are the same. Unlike H.R. 1115, the Senate Judiciary bill contains private-sector mandates. That bill would impose a mandate on defendants participating in a proposed class action settlement by requiring them to notify the appropriate state and federal officials within 10 days after a proposed settlement is filed in court. In addition, by requiring that certain notifications of class members follow a certain format and use easily understood language, S. 274 would impose a private-sector mandate on attorneys. CBO found that the total direct costs of those mandates would fall well below the annual threshold for private-sector mandates established by UMRA (\$117 million in 2003, adjusted annually for inflation).

The CBO staff contacts for this estimate are Lanette J. Walker (for federal costs), and Paige Piper/Bach (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.